

ROUTING

Top Secret 217

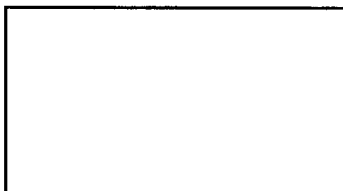
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ISRAEL: Withdrawal Windfall

[] The resignation of Israeli Prime Minister Rabin as head of the dominant Labor Party may paradoxically turn out to be an advantage for the party in the national election next month. Rabin's withdrawal effectively ends his long-standing rivalry with his successor, Defense Minister Peres, opening the way for Peres to unite the party. The sudden change in Labor's leadership has also thrown the main opposition parties off balance, making it more difficult for them to campaign as the only parties capable of making long-overdue reforms.

[] The legal charge against Rabin--maintaining unauthorized bank accounts abroad--is not considered a serious offense by Israelis, among whom this practice is widespread. In fact, Rabin's quick admission of guilt and his rapid action in stepping aside have created a wave of public sympathy, making it unlikely that the incident will damage the party. Peres' accession to the party's top spot virtually by default has not left pro-Rabin factions as embittered as they would be if Peres had openly defeated Rabin in their head-on competition at the party's convention in February.

[] To a considerable extent, Peres has already succeeded in rallying groups within the coalition Labor Alignment behind him. He has broadened his appeal beyond his customary right-wing constituency by offering key cabinet posts to Foreign Minister Allon and Abba Eban, leaders of Labor's moderate factions, and by promising not to change Israeli foreign policy. These moves also played an important role in persuading the left-wing Mapam party to remain allied with Labor.

[] The Labor Party's ability to close ranks rapidly around Peres has come as an unwelcome surprise to the conservative Likud opposition and to the new Democratic Movement for

Change led by Yigael Yadin. Leaders of both groups initially had seen the scandal over Rabin's bank accounts and his resignation as a windfall for their attacks on Labor Party corruption. They had also anticipated that Peres' accession would split the Labor Party and cause Mapam to bolt the Alignment.

[] Likud and Yadin's party now face in Peres a more politically adept and dynamic leader than Rabin, and a man untainted by any hint of corruption. Peres' quick and smooth takeover of the party leadership should enable him to make a strong case to the electorate that Labor is capable of reforming itself and will seek to introduce broad political and social changes. This should give Peres a better chance than Rabin to counter the reformist appeal of the Democratic Movement for Change and Likud.

[] In particular, Peres may be able to attract back to Labor some of its traditional supporters, who became disillusioned with Rabin and defected in large numbers to Yadin's party. Peres' reputation as a hawk, moreover, may enable him to blunt Likud's appeal to Labor right-wingers, who distrusted Rabin.

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